

Message Text

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C O N F I D E N T I A L PANAMA 7065

E.O. 11652: GDS

TAGS: PINT, PFOR, PN

SUBJECT: SIGNIFICANCE OF THE CHANGE IN THE LABOR MINISTRY

REF: PANAMA 6878

SUMMARY: TORRIJOS' RECENT CHANGES IN LABOR MINISTER AND VICE MINISTER WERE MADE AT BEHEST OF MODERATES WITHIN GOP AND OF BUSINESSMEN WHO SUPPORT TORRIJOS, DUE TO BLEAK ECONOMIC SITUATION AND PROBLEMS IN OBTAINING BUSINESS CONFIDENCE, AND INVESTMENT, WITHOUT CHANGES IN MINISTER AND IN IMPLEMENTATION OF LABOR CODE. MODERATES AND CONSERVATIVES WITHIN AND CLOSE TO GOP HAVE EXPRESSED GREAT SATISFACTION WITH THE CHANGE; OTHER BUSINESSMEN ARE SKEPTICAL OF NEW MINISTER'S LEFTIST BACKGROUND BUT CONSIDER ANY CHANGE AT ALL A HOPEFUL SIGN. EMBASSY ASSESSMENT IS THAT IF FOLLOWED BY CHANGES IN IMPLEMENTATION OF LABOR CODE TO WHICH TORRIJOS HAS REPORTEDLY ALSO COMMITTED HIMSELF, THIS WILL REPRESENT A SHIFT TO THE RIGHT. END SUMMARY.

1. EMBASSY SOURCE WHO PARTICIPATED IN GOP INNER CIRCLE DISCUSSIONS NOVEMBER 6 DURING WHICH TORRIJOS DECIDED TO
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REPLACE ROLANDO MURGAS AND LUIS SHIRLEY AS MINISTER AND

VICE MINISTER OF LABOR WITH ADOLFO AHUMADA AND ARNULFO BOUTET SAID PRIME REASON WAS THE DECLINE OF PANAMA'S ECONOMY. TORRIJOS WAS FINALLY CONVINCED THAT TO BUILD CONFIDENCE OF DOMESTIC AND FOREIGN INVESTORS HE WOULD HAVE TO ALTER THE LABOR CODE AND GET RID OF MURGAS WHO WAS DOCTRINAIRE AND RIGID IN INTERPRETING THE CODE AND IN HANDLING LABOR-MANAGEMENT DISPUTES. SAME SOURCE SAID THAT THE ARGUMENTS THAT FINALLY TIPPED THE SCALE IN THE BATTLE TO OUST MURGAS WAS THE REPORT BY MINISTER OF PLANNING AND ECONOMIC POLICY BARLETTA OF HIS RECENT TALK IN COSTA RICA WITH WORLD BANK CHAIRMAN ROBERT MCNAMARA WHO HAD MADE CLEAR THAT THE LABOR CODE AND ITS INTERPRETATION WERE DAMAGING TO PANAMA'S IMAGE AS A PLACE TO INVEST. (SOURCE WAS PLEASED OVER THIS DEVELOPMENT BECAUSE HE HAD PARTICIPATED IN BRIEFINGS EMBASSY ARRANGED FOR WORLD BANK REPRESENTATIVE LUIS LANDAU DURING LATTER'S VISIT TO PANAMA IN SEPTEMBER).

2. MODERATES AND CONSERVATIVES WITHIN AND/OR CLOSE TO GOP HAVE EXPRESSED GREAT SATISFACTION WITH CHANGES IN LABOR MINISTRY. THEY DESCRIBE AHUMADA AS LOYAL TO TORRIJOS AND MORE FLEXIBLE POLITICALLY THAN HIS PREDECESSOR. EXECUTIVE DIRECTOR OF CHAMBER OF COMMERCE STATED TO EMBASSY OFFICER THAT OPINIONS ABOUT AHUMADA AMONG CHAMBER MEMBERS VARIED CONSIDERABLY, BUT THAT CHANGE AT MINISTRY IS NONETHELESS VIEWED WITH HOPE BY CHAMBER, WHICH CONSIDERED THAT MURGAS STOOD IN WAY OF ANY CHANGE WHATEVER IN LABOR CODE. PRIVATE SECTOR OPINION IS THAT AHUMADA WILL BE MORE ACCESSIBLE THAN MURGAS, AND THAT THERE IS IMPROVED LIKELIHOOD OF CHANGES BENEFICIAL TO EMPLOYERS IN REGULATIONS IMPLEMENTING CODE AND IN INTERPRETATIONS OF IT BY MINISTRY. NEVERTHELESS, MANY BUSINESSMEN AND CONSERVATIVE OPPONENTS OF GOP REMAIN SKEPTICAL REGARDING AHUMADA PERSONALLY DUE TO HIS AFOIST BACKGROUND. SIMILAR SKEPTICISM EXISTS ALSO IN NONCOMMUNIST LABOR MOVEMENT; SECRETARY GENERAL OF AIFLD-SUPPORTED CTRP INITIALLY CONSIDERED AHUMADA APPOINTMENT UNFORTUNATE, PARTICULARLY BECAUSE HE FELT THAT MINISTRY WOULD BECOME EVEN MORE

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DISPOSED TO FAVOR COMMUNIST-LED CNTP RATHER THAN LARGER CTRP.

3. BOUTET APPOINTMENT, ON THE OTHER HAND, HAS MADE THE COMMUNISTS UNHAPPY; HE IS REGARDED AS BEING BOURGEOIS RIGHTIST, WHO HAS BEEN UNPOPULAR WITH THEM SINCE HE REPLACED A COMMUNIST AS GOVERNOR OF CHIRIQUI PROVINCE IN 1973 AFTER POPULAR UNREST NECESSITATED LATTER'S

REMOVAL. BOUTET IS NOT WELL KNOWN IN BUSINESS CIRCLES OUTSIDE GOP, BUT NONCOMMUNIST LABOR CONSIDERS HIM SOLIDLY IN DEMOCRATIC CAMP. HIS POLITICAL ORIENTATION AND REPUTATION FOR EFFICIENCY, PLUS HIS LONG FRIENDSHIP, DATING BACK TO BOYHOOD, WITH LT. COL. MANUEL NORIEGA (G-2 OF THE NATIONAL GUARD) AND A SHORTER BUT CLOSE RELATIONSHIP WITH TORRIJOS, HAVE CHEERED THE MODERATE AND CONSERVATIVE FACTIONS IN THE GOP.

4. COMMENT: AHUMADA HAS BEEN QUOTED IN PRESS AS SAYING HE WOULD CARRY ON THE POLICIES OF HIS PREDECESSOR; HOWEVER, LT. COL. PAREDES MADE SIMILAR STATEMENTS WHEN HE TOOK OVER MINISTRY OF AGRICULTURAL DEVELOPMENT LAST JULY, AND THEN PROCEEDED WITH SHIFT IN THAT MINISTRY'S PROGRAM, ACCOMPANIED BY SOME PERSONNEL CHANGES, AWAY FROM HIS PREDECESSOR'S LEFTIST DIRECTION AND TOWARD PRODUCTION-ORIENTED POLICIES. EXACTLY WHAT AHUMADA WILL DO REMAINS TO BE SEEN; MANY ARE RESERVING JUDGMENT ON HIS APPOINTMENT UNTIL HIS POLICIES BECOME CLEARER. BUT, INITIALLY AT LEAST, HIS AND BOUTET'S APPOINTMENTS HAVE STIRRED HOPES; IF FOLLOWED BY SOME SHIFT IN LABOR CODE AND/OR ITS IMPLEMENTATION AS DESIRED BY BUSINESSES, THEY CAN BE REGARDED AS A SHIFT TO THE RIGHT BY TORRIJOS. THE IMPORTANT TEST WILL BE WHETHER AHUMADA CARRIES OUT THE COMMITMENT REPORTEDLY AGREED TO BY TORRIJOS DURING THE NOVEMBER 6 MEETING, TO MAKE CERTAIN CHANGES IN THE CODE. OUR ASSESSMENT IS THAT THESE CHANGES, ASSUMING THEY ARE MADE, WILL MOST PROBABLY TAKE THE FORM OF AMENDING ADMINISTRATIVE REGULATIONS AND IN THE INTERPRETATION OF THE CODE AND REGULATIONS BY THE NEW MINISTER, RATHER THAN FORMAL ALTERATION OF THE CODE ITSELF. THE LATTER COULD BE POLITICALLY DANGEROUS. WHILE MORE MODERATE LABOR

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LEADERS ARE PRIVATELY WILLING TO ADMIT THAT CERTAIN ASPECTS OF CODE AND ITS IMPLEMENTATION COULD STAND REVISIONS WITHOUT DAMAGE TO ESSENTIAL LABOR INTERESTS VIS-A-VIS MANAGEMENT, LABOR AND THE LEFT IN GENERAL COULD CHARGE THAT IF THE CODE WERE FORMALLY AMENDED IN SUBSTANCE, THE GOP WAS BACKING AWAY FROM ITS COMMITMENT TO THE WORKING CLASS. END COMMENT.

JORDEN

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